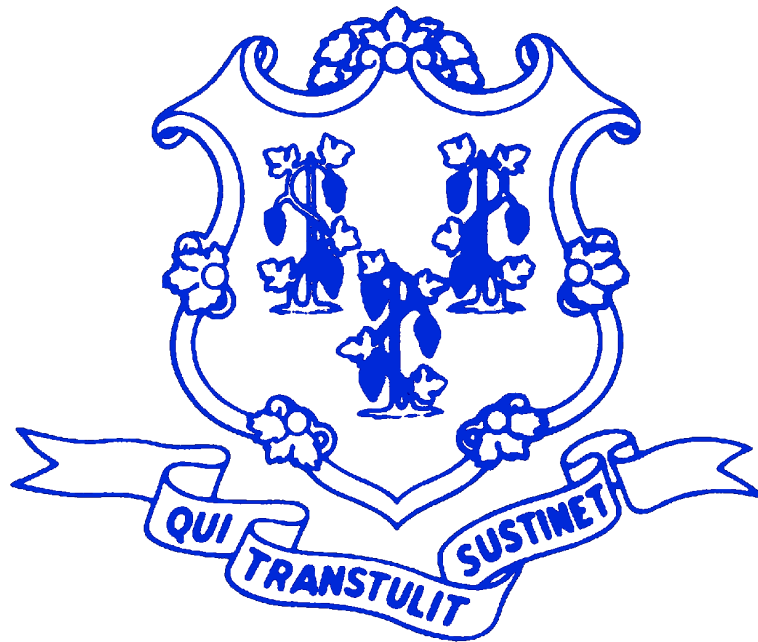


**FY 02 – FY 06 General Fund,
Transportation Fund and
Spending Cap Projections**

December 18, 2000



**Connecticut General Assembly
Office of Fiscal Analysis**

Impact of the Revised Revenue and Expenditure Estimates for FY 01 on the Out-Years

Our November 8, 2000 analysis of estimated revenues and expenditures associated with the legislatively approved budget revisions for FY 01 indicated a potential General Fund surplus of \$500 million and a Transportation Fund operating surplus of \$43.5 million for FY 01 (\$3.9 million up from the \$39.6 million originally budgeted). The General Fund surplus figure results largely from estimated revenues which are projected to be \$624.2 million higher and estimated expenditures which are projected to be \$124.7 million higher than the levels anticipated at the time the revised FY 01 budget was passed. The spending cap for FY 01 would allow additional appropriations (All Funds) of \$49.4 million. Potential gross (General Fund) deficiencies of \$159.2 million will be offset by the transfer of available balances from certain agencies to agencies experiencing deficiencies in order to remain within the \$49.4 million additional appropriations allowed by the spending cap.

Our analysis of estimated All Funds revenues and expenditures associated with the legislatively approved budget revisions for FY 01 projected out through FY 06 (see Table 1) indicates potential surpluses of \$224.5 million in FY 02 and \$42.6 million in FY 03 and shortfalls of \$261.9 million in FY 04, \$506.2 million in FY 05 and \$677.8 million in FY 06 using spending cap levels. It should be noted that our projected current services expenditures exceed spending cap levels by \$220.2 million in FY 02, \$155 million in FY 03, \$157.3 million in FY 04, \$152.7 million in FY 05 and \$134.7 million in FY 06.

The FY 02-06 figures are based on using the revised FY 01 estimates as the baseline for revenue and expenditure projections and assume modest growth in the state and national economy. These estimates show the direction of revenues and spending if current laws and policies remain unchanged. They are not forecasts of what will actually occur, since subsequent policy changes will alter current priorities. These projections are preliminary in that they reflect our initial review of agency current services requirements and may change as we continue to analyze the FY 01 expenditure base along with projected cost and caseload estimates.

Overall, the General Fund revenue estimates reflect long-term growth rates adjusted for previously enacted tax changes. The estimates assume modest economic growth in the state's economy with no recession. One exception to these assumptions is the FY 02 personal income tax estimate. The estimate reflects a lower rate of growth in withholding taxes and no growth in estimated and final payments compared to long-term growth rates. Because of the state's current tight labor market, slower employment growth is anticipated for the 2001 income year, which translates into lower growth in withholding taxes. Also, since the level of capital gain realizations is not expected to outpace the level experienced in the 2000 income year, revenue from estimates and final payments is anticipated to experience no growth.

It should be noted that these long-term revenue forecasts are dependent on the national and state economy continuing to grow with no sustained economic downturn. Also, contained in the estimates is the assumption that taxes derived from capital gains will equal collections experienced over the past couple of years. Historically, income from capital gains has been far more volatile than wages or salaries; therefore making it extremely difficult to forecast. Capital gains has a high relative importance within Connecticut's revenue stream; therefore, a downturn is likely to have a potentially significant impact on General Fund revenue.

Our projections include the impact of the conversion to Generally Accepted Accounting Principles (GAAP) in FY 04, which could add approximately \$30 million to the budget on a net expenditure basis in that year and annualize to approximately \$65 million including amortization of the GAAP deficit in each of the following fifteen fiscal years.

Under the provisions of the constitution one of the uses for surplus is debt retirement. Although the debt service estimates included in this report do not factor in the use of the projected FY 01 surplus, it should be noted that for every \$100 million of surplus used to retire debt the appropriation for the payment of interest can be reduced by \$6 million in FY 02, \$5.7 million in FY 03, \$5.4 million in FY 04 \$5.1 million in FY 05 and \$4.8 million in FY 06. The total saving in interest payments over 20 years is \$63 million per \$100 million of surplus. The estimates assume a 6.0% interest rate.

Table 1

**OFA's Preliminary Estimate of the Out-Year Impact
of Revenue and Expenditure Estimates for FY 01 [1]
as of 12/18/00
(figures in \$ millions)**

	Out-Year Projections				
	<u>FY 02</u>	<u>FY 03</u>	<u>FY 04 [2]</u>	<u>FY 05 [2]</u>	<u>FY 06 [2]</u>
General Fund:					
Current Services Revenues	\$ 12,061.1	\$ 12,531.6	\$ 12,987.1	\$ 13,498.2	\$ 13,989.6
Current Services Expenditures	12,085.0	12,648.2	13,394.3	14,118.5	14,740.9
Surplus / (Shortfall)	\$ (23.9)	\$ (116.6)	\$ (407.2)	\$ (620.3)	\$ (751.3)

**All Funds - Comparisons of Current Services Revenues and Expenditures
and Spending Cap Expenditures:**

Current Services Revenues	\$ 13,149.3	\$ 13,630.4	\$ 14,098.1	\$ 14,618.4	\$ 15,119.0
Current Services Expenditures	\$ 13,145.0	\$ 13,742.8	\$ 14,517.3	\$ 15,277.3	\$ 15,931.5
Spending Cap Expenditures	12,924.8	13,587.8	14,360.0	15,124.6	15,796.8
Amount by which Current Services Expenditures Exceed the Spending Cap [3]	\$ 220.2	\$ 155.0	\$ 157.3	\$ 152.7	\$ 134.7
Current Services Revenues Less Spending Cap Expenditures Potential Surplus / (Shortfall) [4]	\$ 224.5	\$ 42.6	\$ (261.9)	\$ (506.2)	\$ (677.8)
Current Services Revenues Less Current Services Expenditures Potential (Shortfall)	\$ 4.3	\$ (112.4)	\$ (419.2)	\$ (658.9)	\$ (812.5)

[1] The FY 02-06 figures are based on using the revised FY 01 estimates as the baseline for revenue and expenditure projections and assume modest growth in the state and national economy. These estimates show the direction of revenues and spending if current laws and policies remain unchanged. They are not forecasts of what will actually occur, since subsequent policy changes will alter current priorities. These projections are preliminary in that they reflect our initial review of agency current services requirements and may change as we continue to analyze the FY 01 expenditure base along with projected cost and caseload estimates.

[2] Our projections include the impact of the conversion to Generally Accepted Accounting Principles (GAAP) in FY 04, which could add approximately \$30 million to the budget on a net expenditure basis in that year and annualize to approximately \$65 million including amortization of the GAAP deficit in each of the following fifteen fiscal years.

[3] The ultimate degree to which the 2001-2003 biennial budget is less than the spending cap will be subject to the magnitude of appropriations which will be made during the 2001 session.

[4] The state constitutional provision (Article 3, Section 18), which requires a balanced budget, would preclude the projected shortfalls in FY 04, FY 05 and FY 06.

Statutory Spending Cap Calculations

	Revised FY 00 <u>Budget</u>	Revised FY 01 <u>Budget</u>	FY 02 <u>Budget</u>	FY 03 <u>Budget</u>	FY 04 <u>Budget</u>	FY 05 <u>Budget</u>	FY 06 <u>Budget</u>
Total All Appropriated Funds - Prior Year	\$11,074.8	\$ 11,714.2 ^[2]	\$12,354.0	\$ 12,924.8	\$ 13,587.8	\$ 14,360.0	\$ 15,124.6
Less "Non-Capped" Expenditures:							
Debt Service	\$ 1,237.5	\$ 1,328.7	\$ 1,417.2	\$ 1,428.9	\$ 1,496.3	\$ 1,652.4	\$ 1,816.7
Statutory Grants to Distressed Municipalities	<u>1,016.1</u>	<u>1,074.2</u>	<u>1,176.9</u> ^[3]	<u>1,215.8</u>	<u>1,243.0</u>	<u>1,299.6</u>	<u>1,327.6</u>
Total "Non-Capped" Expenditures - Prior Year	<u>2,253.6</u>	<u>2,402.9</u>	<u>2,594.1</u>	<u>2,644.7</u>	<u>2,739.3</u>	<u>2,952.0</u>	<u>3,144.3</u>
Total "Capped" Expenditures	8,821.2	9,311.2	9,759.9	10,280.1	10,848.5	11,408.0	11,980.4
Times Five-Year Average Growth in Personal Income	5.08%	5.48%	5.33%	5.53%	5.16%	5.02%	4.88%
Allowable "Capped" Growth	<u>448.1</u>	<u>510.4</u>	<u>520.2</u>	<u>568.5</u>	<u>559.6</u>	<u>572.5</u>	<u>585.1</u>
"Capped" Expenditures	9,269.3	9,821.8	10,280.1	10,848.5	11,408.1	11,980.5	12,565.5
Plus "Non-Capped" Expenditures:							
Debt Service	1,328.7	1,417.2	1,428.9	1,496.3	1,652.4	1,816.7	1874.9
Federal Mandates and Court Orders (new \$)	15.3	7.5					
Statutory Grants to Distressed Municipalities	<u>1,074.2</u>	<u>1,108.1</u>	<u>1,215.8</u>	<u>1,243.0</u>	<u>1,299.6</u>	<u>1,327.6</u>	<u>1,356.6</u>
Total "Non-Capped" Expenditures	<u>2,418.2</u>	<u>2,532.8</u>	<u>2,644.7</u>	<u>2,739.3</u>	<u>2,952.0</u>	<u>3,144.3</u>	<u>3,231.5</u>
Total All Expenditures Allowed	11,687.5	12,354.4	12,924.8	13,587.8	14,360.0	15,124.6	15,796.8
Total Appropriations	<u>11,687.1</u> ^[1]	<u>12,354.0</u>	<u>13,145.0</u>	<u>13,742.8</u>	<u>14,517.3</u>	<u>15,277.3</u>	<u>15,931.5</u>
Amount Total Appropriations are Over (Under) the Cap	\$ (0.4)	\$ (0.4)	\$ 220.2	\$ 155.0	\$ 157.2	\$ 152.7	\$ 134.6
Budget Growth		5.7%	6.4%	4.5%	5.6%	5.2%	4.3%

[1] Excludes appropriations of surplus.

[2] Includes \$27.1 million adjustment for federal appropriation requirement for Workforce Investment Act.

[3] Includes \$68.8 million adjustment due to changes in the list of distressed municipalities.

General Fund Revenue Estimates
as of 12/18/00
(figures in \$ thousands)

	Growth Rate % [1]	OFA FY 01 Estimate	Growth Rate % [1]	OFA FY 02 Estimate	Growth Rate % [1]	OFA FY 03 Estimate	Growth Rate % [1]	OFA FY 04 Estimate	Growth Rate % [1]	OFA FY 05 Estimate	Growth Rate % [1]	OFA FY 06 Estimate
Taxes												
Personal Income	9.3	\$4,606,000	2.4	\$4,713,300	5.0	\$4,942,200	5.0	\$5,177,500	5.0	\$5,422,000	5.0	\$5,676,300
Sales and Use	6.7	3,193,500	5.5	3,330,000	5.0	3,464,200	4.8	3,625,300	4.8	3,794,300	4.8	3,971,400
Corporations	4.8	570,000	4.8	542,400	4.0	574,400	3.5	599,400	3.5	620,400	3.5	642,100
Inheritance and Estate	(2.0)	227,000	3.0	221,300	3.0	212,200	3.0	203,400	3.0	192,600	3.0	189,800
Public Service Corporations	(1.0)	164,000	1.0	165,600	0.0	165,600	0.0	165,600	0.0	165,600	0.0	165,600
Insurance Companies	6.6	203,400	3.2	209,900	3.2	216,600	3.0	223,100	3.0	229,800	3.0	236,700
Cigarettes	(2.5)	119,200	(2.5)	116,200	(2.5)	113,300	(2.5)	110,500	(2.5)	107,700	(2.5)	105,000
Oil Companies	(2.0)	48,100	2.0	52,400	2.0	64,400	2.0	57,600	2.0	58,800	2.0	50,000
Real Estate Conveyance	(2.1)	112,200	(2.0)	110,000	1.0	111,100	1.0	112,200	2.0	114,400	2.0	116,700
Alcoholic Beverages	0.4	41,000	0.0	41,000	0.0	41,000	0.0	41,000	0.0	41,000	0.0	41,000
Miscellaneous	8.5	42,700	9.4	43,900	2.5	44,300	3.9	45,200	3.9	45,800	4.0	36,300
Admissions, Dues and Cabaret	(0.1)	24,000	2.0	23,300	2.0	23,800	2.0	24,300	2.0	24,800	2.0	25,300
Total Taxes		\$9,351,100		\$9,569,300		\$9,973,100		\$10,385,100		\$10,817,200		\$11,256,200
Refunds of Taxes		(\$763,000)		(\$794,300)		(\$826,200)		(\$859,000)		(\$882,600)		(\$932,800)
Net General Fund Taxes		\$8,588,100		\$8,775,000		\$9,146,900		\$9,526,100		\$9,934,600		\$10,323,400
Other Revenue												
Transfer Special Revenue		\$265,200		\$267,500		\$269,300		\$271,900		\$274,600		\$277,300
Indian Gaming Payments		336,000		360,000		370,000		375,000		380,000		385,000
Licenses, Permits and Fees		126,000		124,800		122,800		125,800		123,800		126,800
Sales of Commodities and Services		35,000		32,000		32,000		32,000		32,000		32,000
Rentals, Fines and Escheats		43,400		40,000		40,000		40,000		40,000		40,000
Investment Income		62,000		62,000		63,000		64,000		64,000		64,000
Miscellaneous		130,600		125,000		130,000		125,000		130,000		125,000
Total Other Revenue		\$998,200		\$1,011,300		\$1,027,100		\$1,033,700		\$1,044,400		\$1,050,100
Other Sources												
Federal Grants		\$2,262,800		\$2,295,500		\$2,377,800		\$2,464,700		\$2,556,300		\$2,652,900
Transfer from Tob. Settlement Fund		138,800		114,300		114,800		97,600		97,900		98,200
Transfer to Other Funds		(82,400)		(135,000)		(135,000)		(135,000)		(135,000)		(135,000)
Total Other Sources		\$2,319,200		\$2,274,800		\$2,357,600		\$2,427,300		\$2,519,200		\$2,616,100
TOTAL REVENUE		\$11,905,500		\$12,061,100		\$12,531,600		\$12,987,100		\$13,498,200		\$13,989,600

[1] Tax growth rates reflect adjustments for rate and base changes.

**Projected Expenditure Requirements for
General Fund Accounts Experiencing Major Budget Increases
Above Inflation During FY 02 through FY 06**

		FY 02	% Change	FY 03	% Change	FY 04	% Change	FY 05	% Change	FY 06	% Change
711	P.I.L.O.T. - New Manufacturing Machinery and Equipment	85,000,000	7.6%	94,000,000	10.6%	103,400,000	10.0%	113,740,000	10.0%	125,114,000	10.0%
035	General Assistance - DMHAS	70,185,511	18.0%	74,560,205	6.2%	76,051,409	2.0%	77,572,437	2.0%	79,123,886	2.0%
602	Medicaid	2,456,341,360	6.0%	2,603,721,841	6.0%	2,759,945,152	6.0%	2,925,541,861	6.0%	3,101,074,372	6.0%
615	ConnPACE	63,851,767	31.6%	68,570,146	7.4%	73,370,056	7.0%	78,505,960	7.0%	84,001,377	7.0%
719	Education Equalization Grants	1,423,000,000	2.7%	1,453,000,000	2.1%	1,531,000,000	5.4%	1,561,620,000	2.0%	1,592,852,400	2.0%
752	Magnet Schools	40,000,000	27.5%	52,600,000	31.5%	53,652,000	2.0%	54,725,040	2.0%	55,819,541	2.0%
034	Higher Education Matching Grant	9,360,000	NEW	11,160,000	19.2%	15,600,000	39.8%	15,600,000	0.0%	15,600,000	0.0%
621	Connecticut Aid for Public College Students	25,563,271	29.4%	26,074,536	2.0%	26,596,027	2.0%	27,127,948	2.0%	27,670,507	2.0%
601	Teachers' Retirement Contributions	210,701,421	-1.8%	221,236,492	5.0%	234,400,000	5.9%	248,540,000	6.0%	263,450,000	6.0%
601	Debt Service	961,484,963	2.6%	1,006,138,873	4.6%	1,145,792,487	13.9%	1,286,151,766	12.2%	1,328,779,709	3.3%
603	UConn 2000 - Debt Service	58,570,732	21.0%	69,294,593	18.3%	78,827,225	13.8%	89,245,448	13.2%	96,658,515	8.3%
604	CHEFA Day Care Security	2,500,000	-28.6%	2,500,000	0.0%	2,500,000	0.0%	2,500,000	0.0%	2,500,000	0.0%
	Total - Debt Service	1,022,555,695	3.4%	1,077,933,466	5.4%	1,227,119,712	13.8%	1,377,897,214	12.3%	1,427,938,224	3.6%
701	Reimbursements to Towns for Loss of Taxes on State Property	70,900,000	12.1%	72,318,000	2.0%	73,764,360	2.0%	75,239,647	2.0%	76,744,440	2.0%
701	Reimbursements to Towns for Loss of Taxes on Private Tax-Exempt Property	105,700,000	8.8%	106,935,000	1.2%	109,073,700	2.0%	111,255,174	2.0%	113,480,277	2.0%
9909	State Employees Retirement Contributions	280,000,000	8.6%	281,900,000	0.7%	298,800,000	6.0%	316,700,000	6.0%	335,700,000	6.0%
9932	State Employees Health Service Cost	244,600,000	10.4%	273,900,000	12.0%	301,290,000	10.0%	331,419,000	10.0%	364,560,000	10.0%
9933	Retired State Employees Health Service Cost	195,500,000	10.3%	224,811,000	15.0%	247,280,000	10.0%	272,000,000	10.0%	299,208,000	10.0%
	Generally Accepted Accounting Principles (GAAP)	0	---	0	---	30,000,000	NEW	65,000,000	116.7%	65,000,000	0.0%
	Total - Projected Expenditure Requirements for Accounts Experiencing Major Budget Increases	6,303,259,025	5.7%	6,642,720,687	5.4%	7,161,342,416	7.8%	7,652,484,281	6.9%	8,027,337,024	4.9%
	Total - Projected Expenditure Requirements for the General Fund	12,084,951,148	6.4%	12,648,175,725	4.7%	13,394,281,726	5.9%	14,118,463,469	5.4%	14,740,896,018	4.4%
	Accounts with Major Budget Increases as a Percentage of Total Projected Requirements	52.2%		52.5%		53.5%		54.2%		54.5%	

**Projected Expenditure Totals
by Appropriated Fund
as of 12/18/00**

	FY 02	% Change	FY 03	% Change	FY 04	% Change	FY 05	% Change	FY 06	% Change
NET - GENERAL FUND	12,084,951,148	6.4%	12,648,175,725	4.7%	13,394,281,726	5.9%	14,118,463,469	5.4%	14,740,896,018	4.4%
NET -TRANSPORTATION FUND	839,813,947	3.6%	870,740,390	3.7%	895,912,580	2.9%	928,516,220	3.6%	956,848,324	3.1%
MASHANTUCKET PEQUOT & MOHEGAN FUND	134,000,000	5.2%	135,000,000	.7%	135,000,000	0.0%	135,000,000	0.0%	135,000,000	0.0%
SOLDIERS, SAILORS AND MARINES' FUND	3,468,364	2.7%	3,563,995	2.8%	3,662,853	2.8%	3,765,066	2.8%	3,870,771	2.8%
REGIONAL MARKET OPERATION FUND	838,647	3.3%	866,769	3.4%	896,022	3.4%	926,455	3.4%	958,122	3.4%
BANKING FUND	15,632,041	12.8%	16,321,179	4.4%	16,926,810	3.7%	17,558,513	3.7%	18,217,509	3.8%
INSURANCE FUND	21,982,714	20.3%	22,322,825	1.5%	23,158,378	3.7%	24,030,097	3.8%	24,939,677	3.8%
CONSUMER COUNSEL & PUBLIC UTIL CONTROL FUND	19,821,489	3.8%	20,573,921	3.8%	21,359,201	3.8%	22,178,877	3.8%	23,034,572	3.9%
WORKERS' COMPENSATION FUND	22,582,454	4.0%	23,296,498	3.2%	24,037,943	3.2%	24,807,992	3.2%	25,607,907	3.2%
CRIMINAL INJURIES COMPENSATION FUND	1,938,000	2.0%	1,976,760	2.0%	2,016,295	2.0%	2,056,621	2.0%	2,097,754	2.0%
TOTALS	13,145,028,804	6.2%	13,742,838,062	4.5%	14,517,251,808	5.6%	15,277,303,311	5.2%	15,931,470,654	4.3%

**OFA's Preliminary Estimate of the Out-Year Impact
of Transportation Fund Revenue and Expenditure Estimates for FY 01
as of 12/18/00
(figures in \$ millions)**

	FY 00	FY 01	FY 02	FY 03	FY 04	FY 05	FY 06
PROJECTED REVENUES							
Motor Fuels Tax, MV Receipts, and Licenses, Permits, and Fees	809.3	725.9	730.8	735.7	742.9	747.6	752.0
Sales Tax - DMV Payments.	10.0	55.2	57.0	58.9	60.8	62.0	63.5
Federal Transportation Administration (FTA)	3.0	3.0	3.0	3.0	3.0	3.0	3.0
Interest Income	37.7	37.0	37.0	37.0	37.0	37.0	37.0
Petroleum Cos. Gross Earnings Transfer (PA 97-309)	36.0	46.0	46.0	46.0	46.0	46.0	46.0
Release from Debt Service Reserve Account [1]	16.8	0.0	0.0	0.0	0.0	0.0	0.0
Transfer to the Conservation Fund (PA 95-160)	(2.0)	(3.0)	(3.0)	(3.0)	(3.0)	(3.0)	(3.0)
Subtotal: Projected Revenues	910.8	864.1	870.8	877.6	886.7	892.6	898.5
Less: Refunds of Taxes	(5.4)	(6.1)	(6.1)	(6.1)	(6.1)	(6.1)	(6.1)
TOTAL NET REVENUES	905.4	858.0	864.7	871.5	880.6	886.5	892.4
PROJECTED EXPENSES							
Agency Operating Expenses							
DOT Budgeted Expenses	298.4	297.5	304.2	313.8	324.0	334.4	345.4
Non-Bonded Hwy & Bridge Projects	12.0	16.0	18.2	18.5	18.7	19.0	19.2
Airport Payment in Lieu of Taxes, (PA 93-433)	0.3	0.0	0.0	0.0	0.0	0.0	0.0
Subtotal - DOT Operating Costs	310.7	313.5	322.4	332.3	342.7	353.4	364.6
DMV Budgeted Expenses	48.7	50.3	53.9	55.9	58.2	60.6	63.1
Fringe Benefits	56.0	60.6	68.6	75.2	80.4	86.0	92.0
Reserve for Salary Adjustment	0.4	0.4	0.9	0.9	1.0	1.0	1.1
Other Budgeted Expenses	7.0	7.8	7.9	8.2	8.5	8.9	9.2
Subtotal - Operating Expenses	422.8	432.6	453.7	472.5	490.8	509.9	530.0
Debt Service Expenditures:							
STO Debt Service	344.3	369.5	385.0	400.8	411.3	434.1	442.3
GO Debt Service	31.4	29.2	21.1	17.4	13.8	4.5	4.5
Total Debt Service	375.7	398.7	406.1	418.2	425.1	438.6	446.8
Miscellaneous Adjustment	(0.1)	0.0	0.0	0.0	0.0	0.0	0.0
Total Expenditures - Gross	798.4	831.3	859.8	890.7	915.9	948.5	976.8
Less: Unallocated Estimated Lapse	0.0	(16.8)	(20.0)	(20.0)	(20.0)	(20.0)	(20.0)
TOTAL EXPENDITURES - NET	798.4	814.5	839.8	870.7	895.9	928.5	956.8
Annual Operating Surplus(Deficit)	107.0	43.5	24.9	0.8	(15.3)	(42.0)	(64.4)
Appropriation from FY 00 Surplus							
Tweed New Haven Airport	(1.8)	0.0	0.0	0.0	0.0	0.0	0.0
Rail Transit Equipment	(35.0)	0.0	0.0	0.0	0.0	0.0	0.0
Adjusted Operating Surplus/(Deficit)	70.2	43.5	24.9	0.8	(15.3)	(42.0)	(64.4)
Plus: Available Fund Balance as of June 30, 1999 [1]	20.0	0.0	0.0	0.0	0.0	0.0	0.0
Cumulative Operating Surplus/(Deficit)	90.2	133.7	158.6	159.4	144.1	102.1	39.2
Debt Service Coverage Ratio [2]	2.6	2.3	2.2	2.2	2.1	2.0	2.0

[1] Section 13b-68(b) CGS, (PA 97-309), required the treasurer to use any ending balance of the Transportation Fund in excess of \$20 million to reduce outstanding indebtedness in debt service requirements. However, Section 13 of PA-170 repealed this provision effective 7/1/00. Thus, no surplus funds will be designated for debt retirement unless specifically mandated in subsequent legislation.

[2] The state is required by the bond indenture to provide revenues in each fiscal year at least equal to two times the debt service on STO bonds. Our projections indicated that the amount by which the state would exceed this requirement declines from \$216.8 million in FY 00 to \$8.3 million in FY 06.